



JEB BUSH, GOVERNOR

RHONDA M. MEDOWS, MD, FAAFP, SECRETARY

October 18, 2001

The Honorable Frank Farkas
House of Representatives, 52nd District
The Capitol, Room 1101
402 South Monroe Street
Tallahassee, FL 32399-1300

Dear Representative Farkas:

The 1998 Legislature required the Agency for Health Care Administration (AHCA) to conduct a study on the utilization of laboratory services by end-stage renal disease patients (ESRD). Staff of the Office of Health Policy conducted this study in-house. At the time, Medicaid funding was new for ESRD patients and there was no information available on that specific and very small population. Medicaid patients may get dialysis services but that doesn't make them ESRD patients. They may have received dialysis for an acute episode. All study activities were oriented to Medicare, which is the dominant payer for ESRD services. The study could not confirm misuse of laboratory services by ESRD patients because of lack of data.

The 2000 Legislature established another study with the same goal and funded the University of South Florida to conduct the study that was submitted early this year. This study reached similar conclusions to the previous AHCA study. It did not confirm misuse of laboratory services by ESRD patients because of lack of data.

Potential Medicaid fraud was not presented in the charge for either study. Currently, there are about 400+ Medicaid-funded Florida ESRD patients out of 17,000+ total Florida ESRD patients. The Medicaid program pays dialysis centers an all-inclusive composite fee of \$85.00 per treatment for hemodialysis and \$36.43 per treatment for peritoneal dialysis for the first three months of dialysis treatment. After that, payments are made by Medicare with Medicaid paying on crossovers. These fees include routine lab tests that are indicated in the provider handbook and are performed at prescribed intervals. The Medicaid program has implemented "automated controls" for this program that "eliminate duplicative payments" for these two methods of

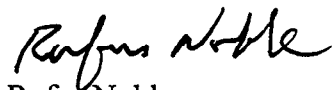


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payment for dialysis. Lab work contained in the composite fee are not allowed to be billed separately.

In the past several years, Medicaid Program Integrity has audited ESRD labs in conjunction with Medicare and Operation Restore Trust. Significant examples of fraud and abuse have been identified in the Medicare population in this process. With regard to the Florida Medicaid Program, these audits have resulted in small overpayment determinations. Medicaid Program Integrity routinely monitors lab work that is billed by ESRD labs and continues to analyze Medicaid data in efforts to detect any new fraud and abuse schemes.

Sincerely,



Rufus Noble
Inspector General

RN/kp

cc: Rhonda Medows, MD
Secretary
Bob Sharpe, Deputy Secretary
Division of Medicaid

